

FISCAL NOTE

SB 2798

February 16, 2006

SUMMARY OF BILL: Increases the excise tax on cigarettes from “ten mills on each cigarette” to “four and five-hundred eighty-five thousands cents (4.585¢) on each cigarette.”

ESTIMATED FISCAL IMPACT:

Increase State Revenues - \$354,800,000
Increase State Expenditures - \$112,700 Recurring
\$60,800 One-Time

Increase Local Govt. Revenues - \$2,590,000

Assumptions:

- Approximately \$354.8 million in new state tax revenue would be generated (\$346.8 million from excise tax and \$8.0 million from state sales tax).
- Approximately \$2.59 million would be generated in local government revenues from local option sales taxes.
- Local option sales tax rate equal to 2.25%.
- Approximately 483.7 million packs estimated to be sold in FY07.
- Elasticity rate of -0.60.
- Two additional staff members for Special Investigations to combat the expected flow of non-taxed cigarettes into Tennessee.
- Increase in recurring and one-time expenditures of \$112,700 and \$60,800 respectively associated with two additional staff for enforcement.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized initial "J" and a distinct "W".

James W. White, Executive Director